

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

STARRED QUESTION NO:259

ANSWERED ON:16.12.2008

IMPACT OF GLOBAL CRISIS ON FDI

Adhalrao Patil Shri Shivaji;Yaskhi Shri Madhu Goud

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) whether the global financial crisis has slowed down the inflow of Foreign Direct Investment (FDI) into the country;
- (b) if so, the details thereof;
- (c) whether the Government of India has assessed the impact of global liquidity crunch on the FDI inflow;
- (d) if so, the details thereof;
- (e) whether the ongoing projects / sectors would be affected due to the world wide slow down; and
- (f) if so, the details thereof and the steps being taken by the Government to ensure that India remains an attractive destination for FDI?

Answer

THE MINISTER OF COMMERCE & INDUSTRY(SHRI KAMAL NATH)

(a) to (f): A Statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (f) of the Lok Sabha Starred Question No. 259 for answer on 16-12-2008 regarding Impact of Global Crisis on FDI.

(a) & (b): Foreign Direct Investment (FDI) inflow in the country has increased from US\$ 5.5 billion in 2005-06 to US\$ 24.5 billion in the year 2007-08. FDI inflows during April- October 2008 were US\$ 18.7 billion. FDI inflows during April-September 2008 showed an increasing trend each month in comparison to the same period in the previous year. However, the inflows in October 2008 have shown a decline of 26% over the same period of 2007.

(c) & (d): Various studies by international agencies and world wide analysis have assessed that the FDI flows to developing economies would generally decline.

(e): The effect of the world wide slowdown on specific projects/sectors would be difficult to assess.

(f): Under the liberalized economic environment, investment decisions of investors are based on the macro-economic policy framework, investment climate in the host country, investment policies of the transnational corporations and other commercial considerations. Government has put in place a liberal and investor-friendly policy on FDI under which FDI up to 100% is permitted on the automatic route in most sectors / activities. The UNCTAD's World Investment Reports for 2007 and 2008 have rated India as the second most attractive investment destination. Government has also announced a slew of measures to accelerate the demand in the economy which would enable India to continue as an attractive investment destination.